

TRANS-JORDAN CITIES

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2006

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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Trans-Jordan Cities

September 20, 2006

We have audited the accompanying financial statements of the business-type activities of Trans-Jordan Cities (the Agency) as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency as of June 30, 2006 and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2006, on our consideration of the Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplemental schedule of comparison of operating budget to actual is presented for purposes of additional analysis and is not a required part of the basic financial statements and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of Trans-Jordan Cities' (the Agency) annual financial statement, the Agency's management provides a narrative discussion and analysis of the Agency's financial activities for the fiscal year ending June 30, 2006. It also encourages the reader to consider the statements herein in addition to the comments made here.

Overview of the Financial Statements

The financial statements herein are three in number.

The first is a "Statement of Net Assets" which presents information on all of the Agency's assets and liabilities, with the difference reported as "Total Net Assets." The total net assets when viewed on time continuum will track the Agency's financial position (i.e. increasing or declining in value).

The second statement is a "Statement of Revenues, Expenses and Changes in Net Assets". This statement presents information regarding the change in the Agency's net assets during the year. The Agency uses the accrual basis of accounting in which revenues and expenditures are recognized when earned and expended. Thus, revenues and expenditures are reported in these statements for items that will affect future cash flows.

The third is a "Statement of Cash Flows". This statement presents the activities of the Agency on a cash-received and cash-paid basis. It shows how cash was spent and reconciles the change in the Agency's cash accounts during the year.

Financial Analysis

The Agency does not have any taxing authority but has the right to collect assessments from member cities. At this time Trans-Jordan Cities has not exercised a city assessment. The Agency is currently operating with revenues gained from waste disposal fees, capital contributions from member cities, and interest from investments. Therefore, the Agency conducts its financial activities from a single enterprise fund.

Revenues

The Agency has one basic source of operating revenue, (waste disposal fees at the landfill) and two sources' of non-operating revenue (interest from the investment of net assets and contributions from member cities).

The following tables summarize information presented in the financial statements over the last two years.

Net Assets

	June 30, 2006	June 30, 2005
Current Assets	\$ 10,116,150	\$ 9,592,638
Non Current Assets		
Capital Assets	5,611,733	5,819,844
Other Assets	3,739,865	3,665,990
Total Non Current Assets	9,351,598	9,485,834
Total Assets	19,467,748	19,078,472
Current Liabilities	365,859	260,707
Noncurrent Liabilities	3,842,424	3,729,515
Total Noncurrent Liabilities	4,208,283	3,990,222
Net Assets		
Invested in Capital Assets, Net of Related Debt	5,611,733	5,819,844
Unrestricted	9,647,732	9,268,406
Total Net Assets	\$ 15,259,465	\$ 15,088,250

Revenues, Expenses, and Changes in Net Assets

	June 30, 2006	June 30, 2005
Revenues		
Charges for Services	\$ 5,086,254	\$ 5,108,402
Other Revenues	614,214	363,032
Total Revenues	5,700,468	5,471,434
Expenses		
Operating Expenses	5,940,255	5,144,530
Other Expenses	35,869	20,004
Total Expenses	5,976,124	5,164,534
Income Before Contributions	(275,656)	306,900
Contributions	446,871	# 584,958
Change in Net Assets	171,215	891,858
Net Assets - Beginning	15,088,250	14,196,392
Total Net Assets - Ending	\$ 15,259,465	\$ 15,088,250

Capital Assets

As of June 30, 2006 the Agency had net capital assets of \$5,611,733 in a broad range of assets related to the landfill operations.

Capital Assets

	<u>2006</u>	<u>2005</u>
Land	\$ 300,927	\$ 300,927
Building and Site Improvements	9,460,488	8,597,304
Equipment	7,163,931	6,524,280
Furniture and Fixtures	190,114	177,063
Construction in Progress	3,499	627,047
Total Capital Assets	<u>17,118,959</u>	<u>16,226,621</u>
Accumulated Depreciation	<u>(11,507,226)</u>	<u>(10,406,777)</u>
Net Capital Assets	<u>\$ 5,611,733</u>	<u>\$ 5,819,844</u>

Long Term Liabilities

The Agency has one major long-term liability. State and Federal laws and regulations require the Agency to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. This liability is being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

Currently the Agency has no other long-term liabilities and foresees no future requirements for which the Agency would need to issue bonds.

Financial Highlights

The Agency's net assets increased \$171,215 over the prior year as a result of this year's operations.

The Agency's business-type activity total operating revenues and expenses were \$5,086,254 and \$5,940,255 respectively.

The Agency maintains a reserve account to assure sufficient funds are available for both planned and unexpected expenses. Consistent with that plan, the following equipment and projects were completed last year.

- Purchased a new compactor and committed to purchase a second new compactor with a value of \$646,740. The second unit will not be delivered until the 2006-2007 budget year.
- Completed the installation of the Phase B "Landfill Gas Collection System" (LGCS) including 23 wells and the associated pipeline system.
- Completed the testing of a "Landfill Flare". This unit will burn off unwanted gas that is collected by the LGCS. Testing concluded that there is a financial feasibility of using this gas in a beneficial way as a heat source for industry. Negotiations are continuing between Granger Energy (our partner in the LGCS) and others interested in using this gas.
- Completed the project to "close" (install the final cap (imperviable barrier) and soil material) for Phase B per state DEQ and county health department requirements.

Contacting the District's Financial Management

This financial report is designed to provide our customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions or need additional financial information, contact the Agency office at 10873 South 7200 West, South Jordan City, Utah 84095-0610.

BASIC FINANCIAL STATEMENTS

TRANS-JORDAN CITIES
STATEMENT OF NET ASSETS
JUNE 30, 2006

	June 30, 2006	(Memo Only) June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,594,122	\$ 8,901,848
Interest Receivable	42,953	17,691
Accounts Receivable	215,514	202,288
Other Receivables	6,362	5,349
Related Party Receivable	257,199	437,312
Prepaid Expenses	-	28,150
Total Current Assets	<u>10,116,150</u>	<u>9,592,638</u>
Non Current Assets		
Restricted Investments	<u>3,739,865</u>	<u>3,665,990</u>
Capital Assets:		
Land	300,927	300,927
Building and Site Improvements	9,460,488	8,597,304
Equipment	7,163,931	6,524,280
Furniture and Fixtures	190,113	177,063
Construction in Progress	3,499	627,047
Less Accumulated Depreciation	<u>(11,507,225)</u>	<u>(10,406,777)</u>
Net Capital Assets	<u>5,611,733</u>	<u>5,819,844</u>
Total Assets	<u>\$ 19,467,748</u>	<u>\$ 19,078,472</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 243,265	\$ 139,332
Accrued Liabilities	81,044	77,656
Deferred Revenue	41,550	43,719
Total Current Liabilities	<u>365,859</u>	<u>260,707</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	67,805	64,836
Closure and Postclosure Liabilities	<u>3,774,619</u>	<u>3,664,679</u>
Total Noncurrent Liabilities	<u>3,842,424</u>	<u>3,729,515</u>
Total Liabilities	<u>4,208,283</u>	<u>3,990,222</u>
NET ASSETS		
Net Assets:		
Invested in Capital Assets (net of related debt)	5,611,733	5,819,844
Unrestricted	<u>9,647,732</u>	<u>9,268,406</u>
Total Net Assets	<u>\$ 15,259,465</u>	<u>\$ 15,088,250</u>

See accompanying notes to the financial statements.

TRANS-JORDAN CITIES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	June 30, 2006	(Memo Only) June 30, 2005
Operating Revenues		
Tipping Fees Commercial and Public	\$ 2,921,610	\$ 2,956,487
Tipping Fees Member Cities	1,970,179	1,970,046
Recycling Revenue	194,465	181,869
Total Operating Revenue	<u>5,086,254</u>	<u>5,108,402</u>
Operating Expenses		
Salary, Wages and Benefits	2,026,312	1,793,924
Professional Services	130,905	116,352
Maintenance and Equipment	1,552,765	1,048,452
Depreciation	1,129,568	1,269,399
Equipment Rental	7,650	285
Gas and Oil	371,707	242,073
Other Governmental Agencies	326,662	272,980
Closure and Postclosure	109,940	106,739
Insurance and Surety Bond	62,716	65,396
South Valley	119,267	124,959
Travel and Other	102,763	103,971
Total Operating Expenses	<u>5,940,255</u>	<u>5,144,530</u>
Operating Income	<u>(854,001)</u>	<u>(36,128)</u>
Non Operating Revenues (Expenses)		
Interest Revenue	499,950	287,699
Net Decrease in Fair Value of Investments	(35,869)	(6,811)
Other Income (Expense)	98,639	75,333
Gain (Loss) on Sale of Capital Assets	15,625	(13,193)
Total Non Operating Revenue (Expense)	<u>578,345</u>	<u>343,028</u>
Income before Contributions	(275,656)	306,900
Capital Contributions	<u>446,871</u>	<u>584,958</u>
Change In Net Assets	171,215	891,858
Total Net Assets - Beginning	<u>15,088,250</u>	<u>14,196,392</u>
Total Net Assets - Ending	<u><u>\$ 15,259,465</u></u>	<u><u>\$ 15,088,250</u></u>

See accompanying notes to the financial statements.

TRANS-JORDAN CITIES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	June 30, 2006	(Memo Only) June 30, 2005
Cash Flows From Operating Activities		
Receipts From Tipping & Recycling Fees	\$ 5,249,959	\$ 4,745,786
Payments to Employees	(2,019,954)	(1,796,568)
Payments to Suppliers	(2,542,352)	(2,047,752)
Net Cash Flow Provided By Operating Activities	<u>687,653</u>	<u>901,466</u>
Cash Flows From Non-Capital and Related Financing Activities	-	-
Cash Flows From Capital and Related Financing Activities		
Proceeds from the Sale of Assets	15,625	-
Capital Contributions	446,871	584,958
Other Income (Loss)	98,639	75,333
Acquisition of Capital Assets	(921,458)	(850,297)
Net Cash Flows From Capital and Related Financing Activities	<u>(360,323)</u>	<u>(190,006)</u>
Cash Flows From Investing Activities		
Purchase of Investments	(109,744)	(159,697)
Proceeds from Sale of Investment Securities	109,744	114,697
Interest Income	364,944	184,511
Net Cash Flows From Investment Activities	<u>364,944</u>	<u>139,511</u>
Net Increase in Cash and Cash Equivalents	692,274	850,971
Cash and Cash Equivalents - Beginning	<u>8,901,848</u>	<u>8,050,877</u>
Cash and Cash Equivalents - Ending	<u>\$ 9,594,122</u>	<u>\$ 8,901,848</u>
Reconciliation of Operating Income to Cash Flows from Operating Activities		
Cash Flows From Operating Activities		
Operating Income (Loss)	\$ (854,001)	\$ (36,128)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) From Operating Activities		
Depreciation	1,129,568	1,269,399
(Increase) Decrease in Accounts Receivable	(14,239)	(93,870)
(Increase) Decrease in Related Party Receivable	180,113	(177,122)
(Increase) Decrease in Prepaid Expenses	28,150	(28,150)
Increase (Decrease) in Accounts Payable	103,933	(117,376)
Increase (Decrease) in Accrued Liabilities	6,358	2,643
Increase (Decrease) in Deferred Revenue	(2,169)	(24,669)
Increase (Decrease) in Closure and Postclosure Liability	109,940	106,739
Total Adjustments	<u>1,541,654</u>	<u>937,594</u>
Net Cash Provided by Operating Activities	<u>\$ 687,653</u>	<u>\$ 901,466</u>

See accompanying notes to the financial statements.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Reporting Entity

Trans-Jordan Cities (the Agency) was organized May 22, 1968, pursuant to the provisions of the Utah Interlocal Co-operation Act, as a joint enterprise of the cities of Sandy, Midvale, West Jordan, and Murray, Utah, and as such is a nontaxable entity. The City of South Jordan, Utah joined the Agency during the fiscal year 1997. The cities of Draper and Riverton, Utah joined the Agency during fiscal year 1998. The primary purpose of the Agency is the operation, maintenance, and control of a refuse-dumping site (the Facility) situated east of Bingham Canyon in Salt Lake County. Residents and businesses from all member cities and Salt Lake County can use the Facility by paying a tipping fee for each refuse load. The Facility is also used for the disposal of weekly garbage pickups of the cities in the Agency for which a fee is charged. These financial statements include all funds and account groups that are financially accountable to the Agency as described in GASB Statement 14 and GASB 39.

Government-Wide Financial Statements

The government-wide financial statements consist of the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows. The Agency is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises -where the intent of the governing body is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The financial statements of the agency consist of only an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

Basis of Accounting

The Agency maintains its books and financial statements in conformity with generally accepted accounting principles as applicable to governmental units. The Agency's applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Agency is a proprietary fund and uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized where earned and expenditures are recognized when incurred.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 1 - (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, investment sweeps, short-term investments and deposits with the State of Utah Public Treasurers' Investment Fund. The Agency considers all cash and investments with a maturity of 90 days or less from the date of purchase to be cash equivalents.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at estimated fair value at the date of donation. Depreciation of property and equipment is calculated on the straight-line method over the assets' estimated useful lives as follows:

Building and site improvements	5-30 years
Machinery and equipment	3-10 years
Furniture and fixtures	5-10 years

Depreciation expense for the year ending June 30, 2006 was \$1,129,568.

Investments

Investments are reported at fair value as prescribed in GASB 31.

Deferred Revenue

Deferred revenue is comprised of prepaid customer landfill usage fees which are recognized as revenue upon the customer's use of the facilities.

Encumbrance Accounting

Encumbrances lapse at year end and are subject to re-appropriation. Therefore the financial statements do not provide for encumbrances.

Use of Estimates

Presenting financial statements in conformity with generally accepted accounting principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Agency's financial position and operation. The columns are captioned "memo only" to indicate that they are presented only to facilitate financial analysis.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "The Act") and by rules of the Utah Money Management Council ("the Council"). Following are the discussions of the Agency's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be recovered. The Agency's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Agency to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006 \$2,375,581 of the Agency's bank balances of \$2,375,581 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments that are in the possession of an outside party. The Agency does not have a formal policy for custodial credit risk of investments. The entire \$3,739,865 of the local government's investment in US agencies and obligations are uninsured, unregistered, and held by the counterparty's trust department but not in the Agency's name and are therefore exposed to custodial credit risk.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Agency's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Service or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations as defined in the Act.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006

NOTE 2 – CASH (Continued)

The Agency is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council Requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

The following are the Agency's investments at June 30, 2006:

Investments	Investment Maturities (in Years)				Quality Ratings
	Less Than 1	1-5	6-10	More than 10	
Collateralized Money					
Market	\$ 190,520	\$ -	\$ -	\$ -	Unrated
Utah Public Treasurer's					
Investment Fund	7,216,490				Unrated
U.S. Treasuries	298,125			-	AAA
U.S. Obligations		2,447,872	96,031	-	AAA
U.S. Agencies	636,700	70,617		-	AAA
Total Investments	<u>\$8,341,835</u>	<u>\$2,518,489</u>	<u>\$ 96,031</u>	<u>\$ -</u>	

C. Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of the debt investments. These changes will adversely affect the fair value of an investment. The Agency manages its disclosure to declines in fair value by adhering to the money management act. The act requires that the remaining term to maturity of investments may not exceed to period of availability of the funds to be invested. Maturities of the Agency's investments are noted above.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Agency's policy is to adhere to the rules of the Money Management Council. The Agency's investments are in Government obligations and agencies.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 3 - CAPITAL ASSETS

	June 30, 2005	Increase	Decrease	June 30, 2006
Capital Assets Not Being Depreciated:				
Land	\$ 300,927		-	\$ 300,927
Construction in Progress	627,047		623,548	3,499
Total Capital Assets Not Being Depreciated	927,974	-	623,548	304,426
Capital Assets Being Depreciated:				
Building and Site Improvements	8,597,304	863,184		9,460,488
Equipment	6,524,280	668,771	29,120	7,163,931
Furniture and Fixtures	177,063	13,051		190,114
Total Capital Assets Being Depreciated	15,298,647	1,545,006	29,120	16,814,533
Less Accumulated Depreciation:				
Building and Site Improvements	5,481,572	345,105		5,826,677
Equipment	4,804,463	761,680	29,120	5,537,023
Furniture and Fixtures	120,742	22,784		143,526
Total Accumulated Depreciation	10,406,777	1,129,569	29,120	11,507,226
Total Net Capital Assets Being Depreciated	4,891,870	415,437	-	5,307,307
Total Net Capital Assets	\$ 5,819,844	\$ 415,437	\$ 623,548	\$ 5,611,733

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 4 - RELATED PARTY TRANSACTIONS

The Agency was created for the purpose of building and operating a landfill. The Agency's membership consists of seven municipalities (the Members) which contributed cash or other assets to form the Agency. The Members are also the major patrons of the Agency. As of June 30, 2006, the Members owed the Agency for landfill usage the following amounts:

	<u>June 30, 2006</u>
Midvale City	\$ 8,901
Murray City	17,269
Sandy City	73,334
West Jordan City	52,436
South Jordan City	23,471
Draper City	20,545
Riverton City	<u>20,414</u>
Total	<u>\$ 216,370</u>

Draper and Riverton are currently required to pay an additional fee treated as a capital contribution for membership in the landfill. Fees are based on usage of the landfill (see Note 10). As of June 30, 2006, the Members owed the Agency the following amounts:

	<u>June 30, 2006</u>
Draper City	\$ 20,541
Riverton City	<u>20,288</u>
Total	<u>\$ 40,829</u>

NOTE 5 - LONG-TERM LIABILITIES

The long-term liabilities of the Agency are as follows:

	<u>June 30</u> <u>2005</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30</u> <u>2006</u>
Compensated Absences	\$ 64,836	\$ 2,969	\$ -	\$ 67,805
Closure and Post Closure Liability	<u>3,664,679</u>	<u>109,940</u>		<u>3,774,619</u>
Total Long Term Liabilities	<u>\$ 3,729,515</u>	<u>\$ 112,909</u>	<u>\$ -</u>	<u>\$ 3,842,424</u>

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 6 - ACCRUED CLOSURE AND POSTCLOSURE CARE COSTS

The Agency is closing landfill parcels on an on-going basis as each land parcel is completely filled. State and Federal laws and regulations require the Agency to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. In addition to operating expenses related to current activities of the landfill, expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the cost to close the final cell through the end of the year. The estimated liability for landfill closure and post-closure care costs is \$3,774,619 as of June 30, 2006, which represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the current cell. The estimated total current cost of the landfill closure and post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill are performed by the Agency. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Agency estimated the remaining life of the landfill to be 23 years. For the year ending June 30, 2006, \$109,940 was charged to closure and post-closure expenses.

NOTE 7 - TONNAGE FEES AND CHARGES TO MEMBER CITIES

The Agency charges fees to each member city for the use of landfill facilities.

Prior to January 1, 1998, member assessments were based on the number of residential waste collection accounts maintained by each city. Beginning January 1, 1998, member fees were charged based on each city's tonnage.

<u>Tonnage fees and charges to member cities:</u>	<u>2006</u>	<u>2005</u>
Sandy	\$ 602,431	\$ 613,095
Murray	168,702	161,142
West Jordan	482,306	502,425
Midvale	99,307	106,805
South Jordan	244,483	238,372
Draper	190,386	175,816
Riverton	182,564	172,390
Total tonnage fees and charges to member cities	<u>\$ 1,970,179</u>	<u>\$ 1,970,045</u>

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 8 - RETIREMENT PLANS

Plan Description. The Agency contributes to the Local Governmental Contributory Retirement System (LGCRS) and the Local Governmental Noncontributory Retirement System (LGNRS), which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Systems.

A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Government Noncontributory Retirement System, the Agency is required to contribute 11.090% of their annual covered salary for year ending June 30, 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions to the LGNRS for the years ending June 30, 2006, 2005 and 2004 were \$122,676, \$116,548, and \$99,975 respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plan - The Agency participates in a 401(k) plan provided by the Systems, which is a multiple-employer defined contribution plan. All employees of the Agency are eligible to participate in the Plan. Employee and employer contributions are board specified. The employer's contributions to the plan for the years ended June 30, 2006, 2005, and 2004 were \$69,247, \$63,274, and \$75,619 respectively.

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 9 - COMMITMENT AND CONTINGENCY

During fiscal year 1994, the Agency entered into an agreement with Kennecott Copper Corporation (the Corporation) to purchase approximately 180 acres of land for \$233,000. The agreement states that so long as the property shall be used as a landfill, the Corporation can dispose of up to 10,000 tons per year of solid waste at no charge. If the Corporation fails to dispose of such solid waste amount, the difference between the amount actually disposed of and 10,000 tons shall be carried over into future years as a credit. The Corporation shall be charged a fixed rate of \$22 per ton for any tonnage in excess of the 10,000 tons and any carried over amount. The Agency shall adjust the per-ton charge January 1, 2008 to equal the going commercial fee, and will adjust the fee every seven years thereafter. This agreement was modified starting January 1, 2006 to allow Kennecott to use future credits in exchange for a reduction to 5,000 tons per year for the next four years. In addition the Corporation will be billed \$.50 per ton of solid waste deposited during that time. This fee is for partial reimbursement of Salt Lake Valley Health Department fees.

NOTE 10 - CONTRIBUTED CAPITAL

During fiscal year 1997, the member cities of the Agency approved South Jordan, Utah as a new participating member of the landfill operation. Beginning October 1, 1996 through September 1, 2005, South Jordan will pay the applicable member tipping fee plus eleven dollars per ton for all municipal waste deposited at the landfill. The \$11 represents capital contributions, giving South Jordan the right to participate in the landfill. Beginning September 1, 2005, South Jordan had been charged the applicable member tipping fees.

During fiscal year 1998, the member cities of the Agency approved Draper and Riverton, Utah as new participating members of the landfill operation. Beginning July 1, 1997 through July 1, 2012, Draper and Riverton will pay the applicable non-member tipping fee for all municipal waste deposited at the landfill. The difference between the member rate and nonmember rate represents capital contributions, giving Draper and Riverton the right to participate in the landfill. After July 1, 2012, Draper and Riverton will be charged the applicable member tipping fees.

NOTE 11 - DISSOLUTION ASSET OWNERSHIP

In accordance with the Utah Interlocal Co-operation Act (under which the Agency was created), all Agency assets revert to the participating cities upon dissolution. Participants' share of these assets are based on each participating city's payment of usage fees in proportion to fees paid by all participating cities for the preceding ten fiscal years. Member's participating interests are adjusted according to the above formula annually. As of June 30, 2006, these percentages are as follows:

TRANS-JORDAN CITIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

NOTE 11 - DISSOLUTION ASSET OWNERSHIP (Continued)

<u>Participating Cities</u>	<u>Fees for Ten Preceding Years</u>	<u>Percent</u>
Midvale City, Utah	\$ 959,512	5.92%
Murray City, Utah	1,509,781	9.32%
Sandy City, Utah	5,379,420	33.20%
Draper City, Utah	1,175,152	7.25%
South Jordan City, Utah	1,661,778	10.25%
West Jordan City, Utah	4,238,185	26.15%
Riverton City, Utah	1,281,552	7.91%
Total	<u>\$ 16,205,380</u>	<u>100.00%</u>

NOTE 12 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, natural disasters and environmental liabilities. It is the policy of the Agency to purchase commercial insurance for these risks or maintain the risk at the Agency level. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A deductible applies to these policies that the Agency pays in the event of any loss. The Agency also has a workers compensation policy. Settlements have not exceeded insurance coverage during the last three years.

NOTE 13 - LITIGATION

The Agency is involved in various legal proceedings arising out of normal operations. The outcome of these proceedings is not known at this time.

SUPPLEMENTARY INFORMATION

TRANS-JORDAN CITIES
SUPPLEMENTAL SCHEDULE OF COMPARISION OF
OPERATING BUDGET TO ACTUAL
(EXCLUDING DEPRECIATION)
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Tipping Fees - Commercial and Public	\$ 2,900,000	\$ 2,921,610	\$ 21,610
Tipping Fees - Member Cities	1,993,000	1,970,179	(22,821)
Recycling Fees	150,000	194,465	44,465
Total Operating Revenues	5,043,000	5,086,254	43,254
Operating Expenses			
Salary and Benefits	2,115,250	2,026,312	88,938
Professional Services	136,050	130,905	5,145
Maintenance and Equipment	1,557,300	1,552,765	4,535
Gasoline and Oil	309,500	371,707	(62,207)
Equipment Rental	5,000	7,650	(2,650)
Other Governmental Agencies	267,000	326,662	(59,662)
South Valley	105,000	119,267	(14,267)
Insurance and Surety Bond	72,100	62,716	9,384
Travel and Other	112,200	102,763	9,437
Total Operating Expense	4,679,400	4,700,747	(21,347)
Operating Income	363,600	385,507	21,907
Non-Operating Revenues (Expense)			
Interest Revenue	320,000	364,944	44,944
Interest Earnings on Postclosure - Trust Acct.		135,005	135,005
Gain (Loss) on Sale of Assets	13,100	15,625	2,525
Other Income (Expense)	65,000	98,639	33,639
Capital Contributions	395,000	446,871	51,871
Total Non-Operating Revenue (Expense)	793,100	1,061,084	267,984
Net Earnings Before Depreciation	\$ 1,156,700	\$ 1,446,591	\$ 289,891
Increase in Closure & Postclosure Liability	-	\$ 109,940	\$ (109,940)
Capital Outlay Expenditures	\$ 1,730,000	\$ 921,458	\$ 808,542

SUPPLEMENTARY REPORTS

GILBERT & STEWART
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A HEATON, C.P.A.
LYNN A. GILBERT, C.P.A.
JAMES A. GILBERT, C.P.A.
BEN H PROBST, C.P.A.

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**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Trans-Jordan Cities
South Jordan, UT

September 20, 2006

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Trans-Jordan Cities (the Agency) as of and for the year ended June 30, 2006, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated September 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

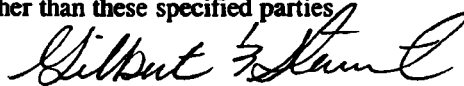
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board Members, and is not intended to be and should not be used by anyone other than these specified parties


GILBERT & STEWART
Certified Public Accountants

GILBERT & STEWART

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INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE WITH APPLICABLE UTAH STATE LAWS AND REGULATIONS

Board of Directors
Trans-Jordan Cities
South Jordan, Utah

September 20, 2006

We have audited the accompanying financial statements of the business-type activities of Trans-Jordan Cities (the Agency), for the year ended June 30, 2006, and have issued our report thereon dated September 20, 2006. As part of our audit, we have audited The Agency's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006.

The agency received no major or non-major grants during the year.

Our audit also included testwork on the Agency's Compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements

Budgetary Compliance
Special Districts
Other General Issues

The management of the Agency is responsible for the Agency's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, The Agency Cities complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

This report is intended solely for the information of management and the Utah State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.



GILBERT & STEWART
Certified Public Accountants

TRANS-JORDAN CITIES

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2006

GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

RANDEL A. HEATON, C.P.A.
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September 20, 2006

Trans-Jordan Cities
South Jordan, UT

We have audited the financial statements of Trans-Jordan Cities for the year ended June 30, 2006 and have issued our report thereon dated September 20, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 7, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Trans-Jordan Cities. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Trans-Jordan Cities' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Trans-Jordan Cities are described in Note 1 to the financial statements. No new accounting policies or procedures were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Agency during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of useful lives of depreciable assets, and the applicable depreciation amounts are based on estimated usefulness of the assets in question and the related wear and tear on those assets. We evaluated the key factors and assumptions used to develop these amounts in determining that they were reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An adjustment may or may not indicate matters that could have a significant effect on the Agency's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Agency, either individually or in the aggregate, indicate matters that could have a significant effect on the Agency's financial reporting process. We did propose and make certain reclassifying, and closing entries to properly reflect required recognition of revenues, expenses, and financial position in accordance with U.S. generally accepted accounting principles.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

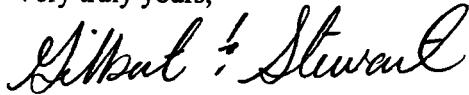
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of Trans-Jordan Cities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Gilbert & Stewart".

GILBERT & STEWART
Certified Public Accountants